



## State of Utah

### Department of Natural Resources

ROBERT L. MORGAN  
*Executive Director*

### Division of Oil, Gas & Mining

LOWELL P. BRAXTON  
*Division Director*

OLENE S. WALKER  
*Governor*

GAYLE F. McKEACHNIE  
*Lieutenant Governor*

April 29, 2004

CERTIFIED RETURN RECEIPT  
7099 3400 0016 8896 3274

Paula Doughty  
Kennecott Utah Copper Corporation  
8315 West 3595 South  
P.O. Box 6001  
Magna, Utah 84044-6001

Re: Five-Year Review of Reclamation Surety Estimate, Kennecott Utah Copper Corporation, Copperton Concentrator Modernization & 4<sup>th</sup> Line Expansion, M/035/011, Salt Lake County, Utah

Dear Ms. Doughty:

Thank you for providing the requested information regarding the five-year review status of your Copperton Concentrator & 4<sup>th</sup> Line Expansion Project, located in Salt Lake County, Utah. Presently, there are two sureties in place for this permit. The last surety estimate for the Copperton Concentrator was calculated in year 2000\$ and the 4<sup>th</sup> Line was calculated in 2003\$. In 1998, we agreed to hold off on full review of the Copperton Concentrator bond until 2003 in order to coincide with the 4<sup>th</sup> Line review.

Upon review of the information furnished by Kennecott Utah Copper Corporation, we find we only need to escalate the present bonds for a five-year period, based upon the fact that there have been no changes at the site since the last bond calculations. The surety for the Copperton Concentrator now escalated to year 2008 is \$13,149,700 and the surety for the 4<sup>th</sup> Line Expansion escalated to the year 2008 is \$10,174,100. The two surety estimate updates are attached for your use. Please provide the updated sureties within 60 days or no later than June 30, 2004.

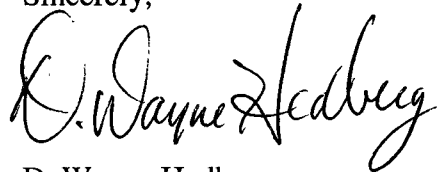
You may provide a rider to each of the existing sureties and no other paperwork will be necessary. However, if you choose to post another form of surety, or combine the sureties, please contact Joelle Burns at (801) 538-5291 to obtain the current bonding forms or you may access the current forms on the internet at [www.nr.utah.gov](http://www.nr.utah.gov). If you post another form of surety for these two projects, we will require that you also replace the Reclamation Contracts, which are also located on the web.

Paula Doughty  
Page 2 of 2  
M/035/011  
April 29, 2004

If you furnish another form of surety, please fax "draft" copies of the documents so we can review them for completeness and accuracy before they are finalized.

If you are unable to meet the established timeframe, please contact the Division with justification for requesting additional time. Thank you for your help in keeping the surety current. If you have any questions concerning this letter, please contact Doug Jensen at (801) 538-5382.

Sincerely,

A handwritten signature in black ink, reading "D. Wayne Hedberg". The signature is fluid and cursive, with the first name "D." and last name "Hedberg" clearly legible.

D. Wayne Hedberg  
Permit Supervisor  
Minerals Regulatory Program

jb

Attachment: (2) surety estimate updates

cc: Doug Jensen, DOGM

O:\M035-SaltLake\M0350011-Copperton\Final\bnDESC-04292004.doc

# SURETY ESTIMATE UPDATE

Kennecott Utah Copper Corporation

12-Nov-03

UCD Modernization

FILE # M/035/011

Salt Lake County

Prepared by Utah Division of Oil, Gas & Mining

Last Update DATE

11/7/1995

## DESCRIPTION:

- Previous reclamation surety estimate was \$12,429,000 in year 2000 dollars
- Reclamation Estimate base amount calculated in 1986-\$
- This update adjusts the surety amount for escalation only.
- Surety estimate for Phase I & II was \$5,982,948 in 1986-\$
- Surety estimate for Flotation/Molybdenum facilities was \$1,643,000 in 1986-\$
- Combining these surety amounts gives a total of \$7,625,948 in 1986-\$

-Escalation factors through 2003 are actual Means Historical Cost Indices

-Total disturbed area = 588 ACRES

CALCULATIONS	YR	ESCAL	BOND
$F = P(1 + i)^{**n}$		FACTOR	AMOUNT
	1984	0.0092	\$0.00
	1985	0.0290	\$0.00
	1986	0.0210	\$7,625,948.00
	1987	0.0195	\$7,774,653.99
	1988	0.0181	\$7,915,375.22
	1989	0.0177	\$8,055,477.36
	1990	0.0077	\$8,117,504.54
	1991	0.0127	\$8,220,596.85
	1992	0.0221	\$8,402,272.04
	1993	0.0261	\$8,621,571.34
	1994	0.0321	\$8,898,323.78
	1995	0.0193	\$9,070,061.43
F = Future Sum	1996	0.0242	\$9,289,556.91
P = Present Sum	1997	0.0236	\$9,508,790.46
i = Escalation Factor	1998	0.0502	\$9,986,131.74
n = number of periods	1999	0.0191	\$10,176,866.85
	2000	0.0244	\$10,425,182.41
Three Yr Average = 2.89%	2001	0.0421	\$10,864,082.58
Used to Project 5 Yrs	2002	0.0202	\$11,083,537.05
From the Year 2003	2003	0.0289	\$11,403,851.27
	2004	0.0289	\$11,733,422.58
	2005	0.0289	\$12,072,518.49
	2006	0.0289	\$12,421,414.27
	2007	0.0289	\$12,780,393.14
	2008	0.0289	\$13,149,746.51
Updated Surety Amount Rounded (2008-\$)			\$13,149,700.00

\*\* Average cost per acre = 21735 (\$/ACRE)

# SURETY ESTIMATE UPDATE

Kennecott Utah Copper Corporation

4th Line - Tailings Pipeline FILE # M/035/011 Salt Lake County

Prepared by Utah Division of Oil, Gas & Mining Last Update DATE 10/14/98

## DESCRIPTION:

- Previous reclamation surety estimate was \$6,372,000 in year 1998 dollars
- Reclamation Estimate base amount calculated in 1992-\$
- This update adjusts the surety amount for escalation only.
- This estimate is for the 2nd tailings pipeline amendment to the 4th line part of file M/035/011
- This estimate is based on the KUCC 2nd tailings pipeline estimate dated January 31, 2000
- Escalation factors through 2002 are actual Means Historical Cost Indices
- Total disturbed area = 588 ACRES

CALCULATIONS	YR	ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^{**n}$	1990	0.0077	\$0
	1991	0.0127	\$0
	1992	0.0221	\$4,930,000
	1993	0.0261	\$5,058,673
	1994	0.0321	\$5,221,056
	1995	0.0193	\$5,321,823
F = Future Sum	1996	0.0242	\$5,450,611
P = Present Sum	1997	0.0236	\$5,579,245
i = Escalation Factor	1998	0.0502	\$5,859,323
n = number of periods	1999	0.0191	\$5,971,237
	2000	0.0244	\$6,116,935
Three Yr Average = 2.89%	2001	0.0421	\$8,405,655 ****
Used to Project 5 Yrs	2002	0.0202	\$8,575,449
From the Year 2002	2003	0.0289	\$8,823,280
	2004	0.0289	\$9,078,272
	2005	0.0289	\$9,340,635
	2006	0.0289	\$9,610,579
	2007	0.0289	\$9,888,325
	2008	0.0289	\$10,174,097
Updated Surety Amount Rounded (2008-\$)			\$10,174,100
** Average cost per acre =	\$17,303	(\$/ACRE)	